

# Fujairah

## New Silk Road

### WEEKLY NEWSLETTER

**APRIL 8<sup>th</sup> 2021**  
**VOL. 70**

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**AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW**

# “THE CLOCK IS TICKING FOR A US-IRAN NUCLEAR DEAL!”

**Helima Croft, Managing Director & Global Head of Commodity Strategy, RBC Capital Markets**

The next couple of weeks are going to be critical for the US to secure an agreement on the Iranian JCPOA nuclear pact. We are in the waning days of the Iranian Presidency of Hassan Rouhani and his Foreign Minister Mohammad Javad Zarif, who are the main architects of the 2015 accord. The two men, who face re-election in June, have suffered politically from Washington’s withdrawal from the Nuclear Agreement in 2018 and reimposing unilateral sanctions. We’re looking at potentially a hardline Iranian government coming to power post-June elections, so now is the time to try and strike that deal. But the US has so far said that Iran must go first and reverse all breaches of the 2015 nuclear deal before they are willing to talk about sanctions relief. In response, the Iranians have said they are fully compliant and that it is the US who is in contravention of the agreement. There is a clear incentive for Iran to do a deal. Iranian oil barrels may already be going into China, but they are having to take a big discount to place those barrels. Also, in his waning days in office, Trump imposed around 1,500 new sanctions on Iran, further complicating its ability to conduct normal trading relations. Iran needs to start accessing its’ billions of dollars in hard currency and frozen accounts. If you’re Biden, you’re looking at the Iranian nuclear clock. You’re looking at the fact that Iran is once again enriching Uranium at 20% levels. If an agreement with Iran is not reached soon, the US will have to negotiate with them when they are on the precipice of having a crude nuclear device. That changes the dynamic to more unfavorable terms for the US.



**CONTINUED ON PAGE 3**

**Fujairah Average Oil Tank Storage Leasing Rates\***  
**BLACK OIL PRODUCTS**  
**Average Range \$3.61 - 4.38/m<sup>3</sup>**

**↑ Highest: \$4.50/m<sup>3</sup>**  
**↓ Lowest: \$3.50/m<sup>3</sup>**

Source: GI Research - Weekly Phone Survey of Terminal Operators

### Fujairah Weekly Oil Inventory Data

**6,211,000 bbl**  
**Light Distillates**



**3,348,000 bbl**  
**Middle Distillates**



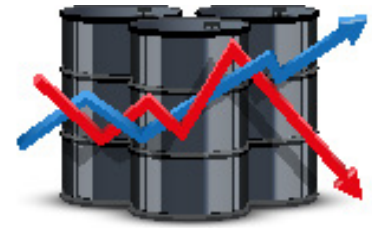
**11,211,000 bbl**  
**Heavy Distillates & Residues**



Source: FEDCom & S&P Global Platts

**GI** Consultancy Intelligence Publishing

# THE WEEK In Numbers



### Weekly Average Oil Prices

**Brent Crude:** \$63.16/bl

**WTI Crude:** \$59.70/bl

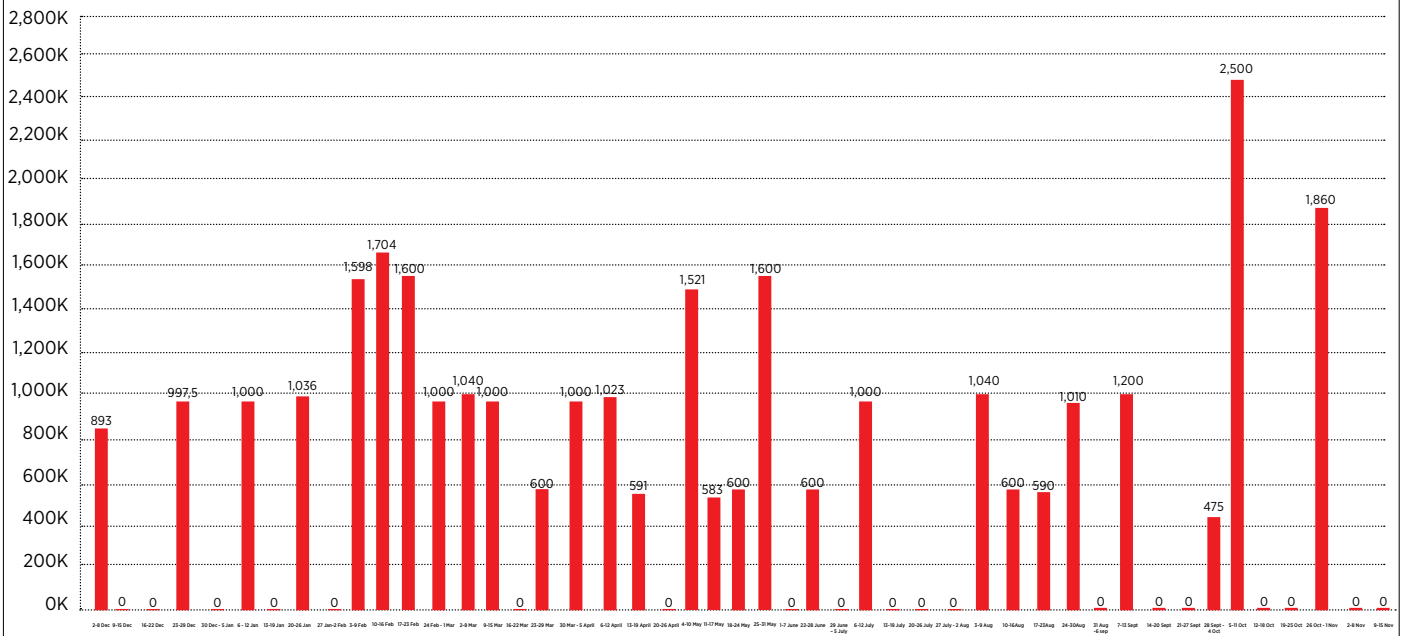
**DME Oman:** \$61.71/bl

**Murban:** \$62.00/bl

Time Period: Week 1, April 2021  
Source: IEA, OilPrice.com, GI Research

## Weekly Imports of Heavy Sweet Crude into Fujairah

Total barrels



Source: Kpler

## Fujairah Bunker Sales Volume (m<sup>3</sup>)

**200**

180cst Low Sulfur Fuel Oil

**494,037**

380cst Low Sulfur Fuel Oil

**114,295**

380cst Marine Fuel Oil

**3,499**

Marine Gasoil

**19,399**

Low Sulfur Marine Gasoil

**6,155**

Lubricants

Source: FEDCom & S&P Global Platts

## Helima Croft, Managing Director & Global Head of Commodity Strategy, RBC Capital Markets

CONTINUED FROM PAGE 1

### **GIQ Is it viable to bring the region together on US-Iran rapprochement?**

**Helima Croft** The concern of the region is that deals are being struck that don't take security interests into consideration. That's one of the key messages you're hearing from foreign ministers. One of the biggest wildcards are these security incidents. Every other day, we get a report of another drone attack or missile attack on a Saudi facility that is emanating from Yemen with the Houthis. So far, we've had no major infrastructure damage and no loss of civilian life but if we did, that would change the dynamics of negotiations. There are all these wild cards.

### **GIQ What are your thoughts of the wider geopolitical risks that current oil markets are not really accounting for?**

**Helima Croft** I used to think that oil was a leading indicator of geopolitical tensions but that has changed with the development of the resource in the US. In 2019, we had attacks on tankers right off the coast of the UAE. We had the East-West pipeline targeted. We had half of Saudi Arabia's oil taken offline temporarily. That was a remarkable attack on the Abqaiq facility, which is the nerve center of the global energy system. Oil reacted and then fell back. The market has discounted not just geopolitics more generally, but geopolitical events that actually impact supply. Oil might now become more of an epidemiological indicator instead.

### **GIQ What is your outlook for demand recovery?**

**Helima Croft** We remain relatively constructive on demand based on what we're seeing in the US. Places where we've seen progress on the vaccine, we're optimistic. We are optimistic about the summer driving season in the US. We remain optimistic about what we're seeing in China. We are also watching very closely what is happening in a critical demand market like India. But we are very aware that Covid-19 is not behind us and that it is the biggest risk factor in the market right now.

### **GIQ What are your thoughts following the recent OPEC+ meeting?**

**Helima Croft** The market had become complacent, thinking it was going to be one-way surprises by the Saudis who would continually seek to put the floor under prices and restrict supply. However, we had several key producers who have been advocating for putting more barrels on the market, led by the Russians. Also, there is the thinking that if OPEC+ doesn't put the barrels back, other producers will. We've almost had a December 2020 replay of the wishes of the Russians, the Emiratis, and the Iraqis - to do a phased increase. With this monthly meeting structure, they now have the ability to make adjustments if the decision taken does not suit the demand outlook. But the concern that we're seeing this week is whether the 2mn OPEC+ barrels and potentially more Iranian barrels, are going to be too much supply.

### **GIQ How do you interpret market analysts being caught off guard for the third time?**

**Helima Croft** Before H.R.H. Prince Abdulaziz was the oil minister, OPEC had biannual meetings and the Saudis would signal before any meeting what OPEC policy would look like. His Royal Highness has very much adopted the style of Alan Greenspan and likes to keep decisions close to his chest - a case in point being the surprise in January of cutting the additional million barrels unilaterally. We now almost have a two-decision structure. We have the OPEC+ decision and the Saudi decision as well. A lot more is riding on these monthly meetings and interventions in the market. It does however make it harder for analysts to figure out what OPEC+ is going to do.

### **GIQ Does OPEC+ need to be concerned about shale oil over the next six months?**

**Helima Croft** So far, we've seen remarkable discipline from shale producers, especially given that US gasoline looks like it's set for a good summer and potentially into the autumn. What's interesting now is the perspective from Moscow. What drove the Russian decision last year at that March OPEC meeting, wasn't just about losing market share. It was also about what that meant politically. They were tired of OPEC+ cutting output while shale continued to grow. Under Trump, there was a view that the new American energy abundance gave the US tremendous freedom in foreign policy, to sanction adversaries like Iran and Venezuela while shielding US consumers from the effect of that policy.

### **GIQ Will President Biden take that same approach?**

**Helima Croft** Biden is very focused on the energy transition and is using the power of the White House to essentially speed that up. It was interesting to see ahead of the last OPEC meeting, the US Energy Secretary, Jennifer Granholm, saying that the US and the Saudis affirmed their commitment to sustainable energy supply. Many people read that as the US continuing to micromanage although the Saudis clarified there had been no direct oil ask. The language of the Granholm statement looked like stock US policy of wanting a stable supply of oil and prices.

### **GIQ What may be the difference between Trump's and Biden's approach to OPEC?**

**Helima Croft** With President Trump, at first we thought it was a one-way trade where he would be tweeting and slamming OPEC whenever WTI got into the mid \$60s/bl. However, he went the other way in a price war to protect US producers. The question with President Biden is whether we are going to revert to the old policy. When prices get high enough to hurt US growth, does he make the call? During the Arab Spring when we lost Libyan oil production, President Obama and his team did make the call to Saudi Arabia when oil was over \$100/bl. I think the price point with a specific ask as opposed to stock language, may be higher now than it was under the Trump administration.

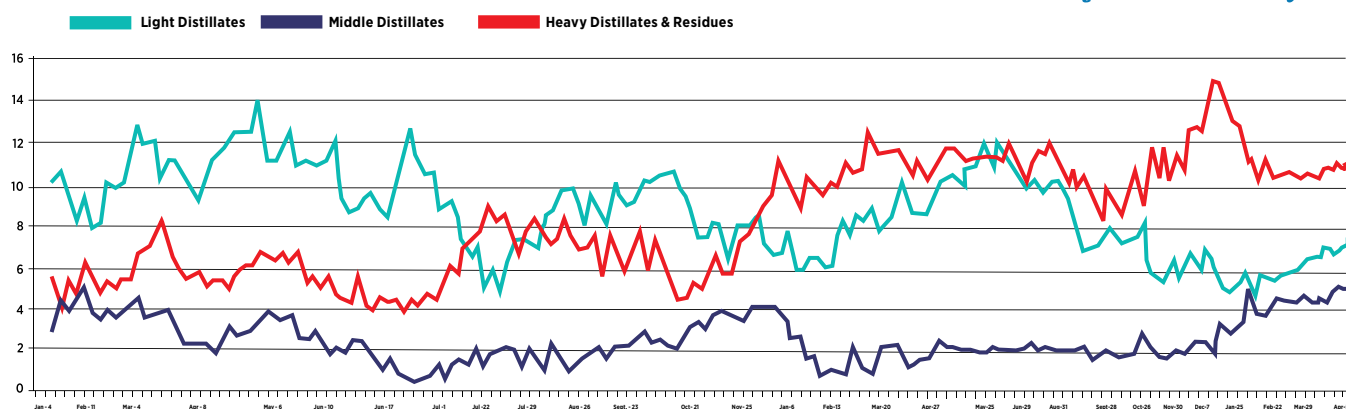


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# Fujairah Weekly Oil Inventory Data



bbl (million)



## TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 20.770mn barrels as they rose for the second consecutive week. Total stocks rose by 1.483mn barrels with overall stocks rising by 7.7% week-on-week. A large build in heavy residues offset draws in light distillates and middle distillates.
- Stocks of light distillates saw a draw of 1.317mn barrels reflecting a fall of 17.5% week-on-week to stand at 6.211mn barrels, this is the lowest level they have stood at since November last year. The East of Suez gasoline market was buoyed by more optimism on a demand-side recovery in the US. Indonesia's state-owned Pertamina

was heard to have raised the run rate at its 348,000 b/d Cilacap refinery as it looked to increase gasoline production.

- Stocks of middle distillates fell by 175,000 barrels falling to 3.348mn barrels – down by 5% on the week. The gasoil market was finding support from some optimism around a potential increase in overseas travel. “I think there is some optimism in the air, with the travel bubble between Australia and New Zealand coming in place, and the UK is also opening up, so on the international travel front, all these are supportive of demand,” a trader said.
- Stocks of heavy residues rose by 2.975mn barrels rising by 36.1% on

the week to 11.211mn barrels, this is their greatest week-on-week rise since stock reporting began at the start of 2017. In the Port of Fujairah, activity was picking up after a lull due to a long weekend in some regions, with prompt demand particularly strong. Fujairah delivered marine 0.5%S bunker was heard offered at \$477-\$483/ mt on Apr. 6 for oil delivered after Apr.9. Fujairah-delivered marine fuel 0.5%S bunker was assessed at \$475/mt, unchanged day-on-day. The price level on Apr. 6 in Fujairah was at a \$5/mt discount to Singapore delivered Marine Fuel 0.5% bunker prices.

Source: S&amp;P Global Platts

## FX

The US dollar was relatively stable against major pairs overnight with EURUSD slipping just 0.07% to 1.1868 and USDJPY rising 0.09% at 109.85. Most of the movement in FX market took place in cable where GBPUSD fell 0.63% to 1.3737. A potential disruption to Covid-19 vaccinations in the UK owing to concerns over the AstraZeneca vaccine may weigh on confidence that the UK will rebound as sharply as expected in coming months. Commodity currencies were weaker across the board with USDCAD rising 0.3% to 1.2609 and both AUD and NZD off by around 0.65% against the greenback.

## Equities

Global equity markets were fairly muted yesterday, with ongoing reassurance from the Fed regarding the reflation debate doing little to boost stocks by the end of the day. The S&P 500 and the Dow Jones did gain, but only modestly at 0.2% and 0.1%, while the NASDAQ closed -0.1% lower. In Europe, the composite STOXX 600 lost -0.2%, while France's CAC closed flat and Germany's DAX lost -0.2%. By contrast, the UK's FTSE 100 closed 0.9% higher yesterday on the back of a positive outlook for reopening. Within the region, the DFM lost -0.6% while the Tadawul gained 0.3%. In Egypt, the EGX 30 lost -0.4%.

## Commodities

Oil prices gained overnight, seemingly shrugging off concerns that a constructive outcome to negotiations between Iran and the JCPOA partners could mean Iranian oil returning to markets later this year. Brent futures added 0.67% to settle at \$63.16/bbl, WTI rose 0.74%, at \$59.77/bbl and Murban closed up 0.7%, at \$61.90/bbl. Oil markets also received a boost from a 3.5mn bbl draw in US crude inventories last week, as reported by the EIA. Gasoline stocks though saw a large build with the net result being a modest rise in total petroleum stocks of around 2.5mn bbl. Production fell back by 200k b/d to 10.9mn b/d last week while product supplied was down 1.1mn b/d to 19.24mn b/d.

Emirates NBD



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# GI EXCLUSIVE SOUNDINGS

## All Eyes on Summer for Demand Recovery

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the Middle East, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- Omar Najja, Global Head, Derivatives BB Energy
- Victor Yang, Senior Editor, JLC Network Technology
- Edward Bell, Senior Director, Market Economics, Emirates NBD
- Kate Dourian, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington
- Andy Laven, Chief Operating Officer, Sahara Energy Resources
- Frank Kane, Senior Business Columnist, Arab News
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons Mexico's Ministry of Energy

### **Omar Najja, Global Head, Derivatives, BB Energy**

"NASDAQ and the equity markets are going to explode higher. Bitcoin is about to explode higher. If you add crude oil to it, I think it's also wanting to go higher. All of three of them are poised to rise."

### **Victor Yang, Senior Editor, JLC Network Technology**

"Capacity is set to grow further this year. We have several new units coming online. Consumption and new capacity should drive up oil demand further."

### **Edward Bell, Senior Director, Market Economics Emirates NBD**

"The IMF's outlook is pretty optimistic, revising their global growth projections upwards. There were also some big upward revisions to their GDP forecasts for countries such as the US and India."

### **Kate Dourian, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington**

"What we are going to see is that the market is going to be quite tight holding above \$60/bl."

### **Andy Laven, Chief Operating Officer, Sahara Energy Resources**

"There is this gap in terms of the way the market has moved historically. What we are seeing now are different rates of recovery in different parts of the market."

### **Frank Kane, Senior Business Columnist, Arab News**

"Saudi Arabia is less worried about a glut of Iranian oil coming on the market and upsetting OPEC+ maths, than the money the Iranians will get from that oil and what it will be used for. Saudi Arabia is more worried about rockets coming from Yemen, Iraq, and South Iran."

### **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**

"A statement by the head of IATA said that 9 out of 10 commercial flights are still grounded. That's a massive figure. I thought travelling was getting better. He also added that travelling is going in the wrong direction, contradicting the overall impression that we had."

### **Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons Mexico's Ministry of Energy**

"We are still not out of the woods. The market is behaving in a very volatile way. Very small changes in the news. On the one hand we have an improving US economy, and then we also have this possible slowdown in Europe and India. We don't see much more dynamic growth in South America."

# ENERGY MARKETS COMMENTARY WEEK IN REVIEW



**DAILY ENERGY MARKETS FORUM** Consultancy Intelligence Publishing  
**NEW SILK ROAD LIVE PODCAST**

**SUNDAY /// APRIL 4<sup>th</sup> /// 2021**

**Mike Muller**  
Head  
Vitol Asia

**Christof Rühl**  
Senior Research Scholar  
Center on Global Energy Policy  
Columbia University

**Sean Evers**  
Managing Partner  
Gulf Intelligence

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**DAILY ENERGY MARKETS FORUM** Consultancy Intelligence Publishing  
**NEW SILK ROAD LIVE PODCAST**

**MONDAY /// APRIL 5<sup>th</sup> /// 2021**

**Tony Quinn**  
Operating Partner, Prostar Capital  
CEO, Tankbank International

**Bora Bariman**  
Managing Partner  
Hormuz Straits Partnership

**Omar Najia**  
Global Head, Derivatives  
BB Energy

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**DAILY ENERGY MARKETS FORUM** Consultancy Intelligence Publishing  
**NEW SILK ROAD LIVE PODCAST**

**TUESDAY /// APRIL 6<sup>th</sup> /// 2021**

**Robin Mills**  
Chief Executive Officer  
Qamar Energy

**Victor Yang**  
Senior Editor  
JLC Network Technology

**Vitaly Yermakov**  
Senior Research Fellow  
Oxford Institute for Energy Studies

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**DAILY ENERGY MARKETS FORUM** Consultancy Intelligence Publishing  
**NEW SILK ROAD LIVE PODCAST**

**WEDNESDAY /// APRIL 7<sup>th</sup> /// 2021**

**Edward Bell**  
Senior Director, Market Economics  
Emirates NBD

**Kate Dourian, FEI**  
MEES Contributing Editor &  
Non-Resident Fellow, The Arab Gulf  
States Institute in Washington

**Frank Kane**  
Senior Business Columnist  
Arab News

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**DAILY ENERGY MARKETS FORUM** Consultancy Intelligence Publishing  
**NEW SILK ROAD LIVE PODCAST**

**THURSDAY /// APRIL 8<sup>th</sup> /// 2021**

**Dr. Aldo Flores-Quiroga**  
Former Deputy Secretary of Energy  
for Hydrocarbons  
Mexico's Ministry of Energy

**Dr. Carole Nakhle**  
Chief Executive Officer  
Crystal Energy

**Andy Laven**  
Chief Operating Officer  
Sahara Energy Resources

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# ENERGY MARKETS VIEWS YOU CAN USE

**Mike Muller**  
**Head**  
**Vitol Asia**



## **Market Reaction to the OPEC+ Decision to Raise Supply?**

It was not a huge price response to the news as OPEC+ seems to have tuned it roughly in line with expectations. The market feels that world supply can be increased somewhat because demand growth has the capacity to absorb it over the Q2 period into July. It is very clear that we have many signals in the market that economic recovery and therefore oil demand growth is something that we will see. We have the markets now trading beyond the refinery turnaround season, so demand for crude is better, and you see that manifesting itself in various things.

## **Outlook for China Crude Oil Demand?**

China's refinery maintenance season is over, and it has been busily responding to the higher oil prices, as they always do, by drawing inventories rather than importing more oil, and that draw is going to be seen in the coming weeks and months. I do expect Chinese crude oil buying to get back, not just to normal, but to keep growing. The new constructed Chinese refining system is highly integrated with petrochemicals for the most part, and it has a resilience for many reasons, including domestic pricing, and therefore they will continue to take market share away from other Asian refiners. The consequences are already being seen because there have been refinery closures and announcements of scale back of capacity -- Shell in the Philippines and in Singapore, along with two Australian refineries, have fallen by the wayside in the last four or five months. So those are your casualties.

## **Oil Market is Stuck in Range-Bound Structure?**

The big question to watch out for is whether there is going to be a summer holiday vacation season for the Northern Hemisphere or not? This Easter statistics on the leisure transport side are promising, with the booking of short-haul flights and the like pushing up against pre-Christmas highs. Travel is going to be vital because there are still up to 3 million barrels a day of Jet-fuel demand to come back, and that is the lion's share of the remaining demand loss that we are seeing. I think that if people cannot take their children on holidays because children are not getting vaccinated, then that will result in things like you see right here in Singapore where all the five-star hotels are full of staycationers, and people are filling up the cruises to nowhere that zip up and down the Malacca Straits.

**Bora Bariman**  
**Managing Partner**  
**Hormuz Straits Partnership**



## **Is the market reaction to OPECs decision counterintuitive?**

It's interesting to see the psychology underpinning the market today. It could have been the good news out of China maintaining its top position as the workshop of the world. OPECs calibrated decision could also be read as a nod to India's concerns of undue restrictions on the market. But then we also saw Saudi raising their official price to Asian customers this week, so the dynamics are varied.

## **Any light at the end of the tunnel for European economies?**

The situation is worrisome with the big spike in infections. The Europeans are not that great at economic flexibility or executing important innovations and commercializing technology. This lagging performance with respect to the vaccine rollout is sort of a reflection of that.

## **Can OPEC plus manage to keep US shale away at these price levels?**

The shale industry will regroup and will be a long-term factor in the market. Access to capital is not a challenge in the US - the home of zero percent interest rates. The \$50 billion consolidation in the shale space in the last year will continue and will create stronger players. They will probably hold their powder dry for now on increasing production because the demand isn't there and will continue to focus on stripping out costs, increasing dividends and investing in infrastructure. But they will be ready to ramp up when the demand situation justifies it.

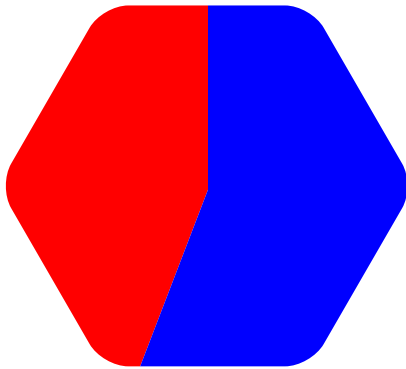


# GIQ Weekly Surveys

*Will OPEC+ decision to raise supply keep shale oil producers on the sidelines?*

**44%**  
No

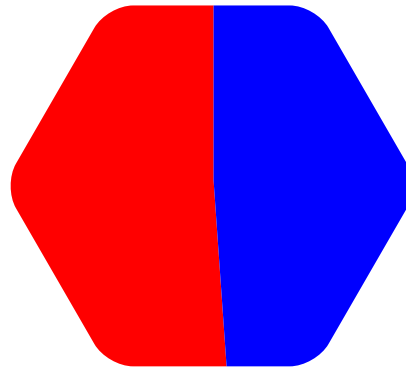
**56%**  
Yes



*Will Iran nuclear talks in Vienna this week deliver tangible progress towards rehabilitation to #JCPOA?*

**51%**  
No

**49%**  
Yes

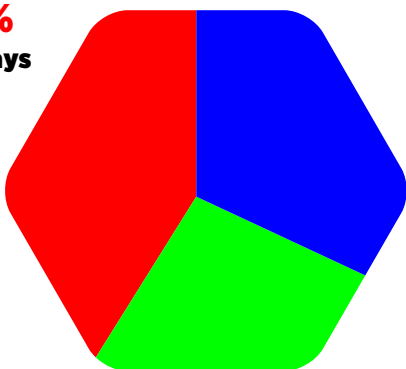


*How will oil markets react this week to the OPEC+ decision to raise oil supplies by over 2mn b/d May-July?*

**41%**  
Sideways

**32%**  
Rise

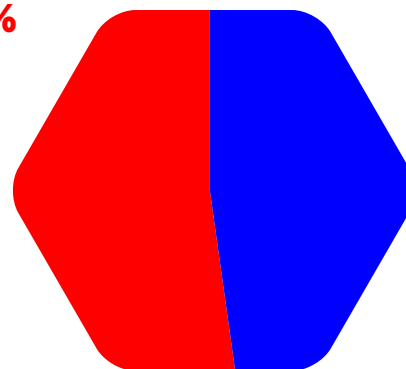
**27%**  
Fall



*Should the Markets Be Factoring In Geopolitical Premium In Oil Price?*

**52%**  
No

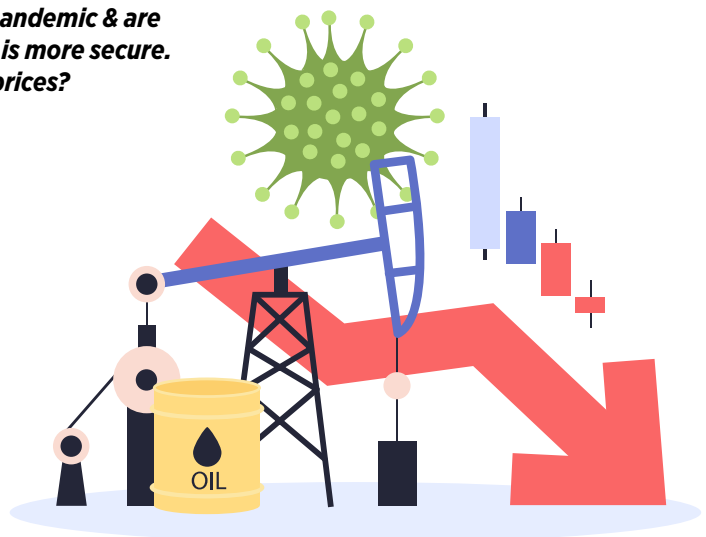
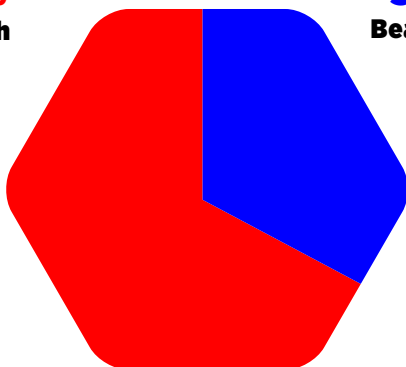
**48%**  
Yes



*Fed remains wary about ongoing risks of the Covid-19 pandemic & are committed to bolstering the economy until its recovery is more secure. Is continuation of this posture bearish or bullish for oil prices?*

**67%**  
Bullish

**33%**  
Bearish



Source: GIQ

# ENERGY MARKETS VIEWS YOU CAN USE

## **Tony Quinn**

**Operating Partner, Prostar Capital  
CEO, Tankbank International**



### **Was the market surprised by the OPEC decision taken last week?**

It's strategic supply and demand balances that make the difference in this market and not necessarily OPEC policy. China is the only factor having a real impact on that balance today – and after a relative slow down, it's now getting back on track. Air travel within the country is expected to be 7% up on 2019 for example. Globally, storage volumes are more or less back to normal, but we are still not seeing long term arrangements committed to - people are trying to keep things as loose as possible while the market is like this.

### **Should we take India's intention to lessen Mideast oil purchases seriously?**

That strategy hasn't really worked as we saw from the recent Saudi OSPs. India suffers more perhaps than most of the other Asian countries in this regard. It's a very difficult market for them to operate in and with the exception of one or two of the refineries, they're not really up to speed compared to those in Singapore for example. In terms of increased US oil supplies to India, there isn't enough dominance from that to take over anything that Saudi Arabia is doing. It is however something that we should keep an eye on.

### **How is travel across Asia picking up?**

We're seeing virus spikes in Malaysia and Thailand and have yet to know what the full impact has been in Indonesia because of a lack of data from the various islands. Singapore is sitting in the middle of all of that - the minute it opens to air travel, traffic will come in from those countries. The government is not going to open until they see that it is safe to do so. India meanwhile is under curfew again and that will take a long time to sort out because of the scale of the problem.

## **Christof Rühl**

**Senior Research Scholar – Center on Global Energy Policy  
Columbia University**



### **Was OPEC's Q2 supply decision a vote of confidence in demand recovery?**

It was well orchestrated and not a surprise. It reflects the expected pace of economic recovery and oil demand post pandemic. By petering out their preannounced cuts, they will get to the target of 5.8 million bd by July, so we are on course, but with a seven-month delay to what had been planned last year. In addition, we have the flexibility of the Saudi one million barrels which can be used as a safety valve when needed and without any consultation - this discretionary tool was very smart policy.

### **How concerned should OPEC plus be about US shale's return at these levels?**

We will remain in a \$60 to \$65 target corridor until inventories and spare capacity are drawn down and normalized. The path becomes less clear after that. The hope would be that demand and economic growth will be strong enough to accommodate any increase in production from the US and other parts of the world because they would be able to produce at these price levels.

### **How significant is India's turn away from Middle East oil producers?**

They have only threatened to do this so far, and at the end of the day, it's a global market so it's just a transaction cost and not a fundamental change because that oil will just come from somewhere else. From a traders' point of view, it would generate income possibilities and for those who produce, it triggers adjustments in oil flows, but for the outside market observer, it doesn't cause any major ruckus in prices.

### **On the radar this week?**

We have inflation data being released, including in the US, but it's too early to expect any update of inflation that would calm markets. We also have the IMF World Bank spring meetings, publication of the minutes of the Federal Reserve monetary policy meeting and publication of EIA US crude stocks.

# ENERGY MARKETS FORUM NEW SILK ROAD **LIVE**



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# TOP 10

**APRIL 3<sup>rd</sup> - APRIL 8<sup>th</sup>**

## MARKET OBSERVATIONS FOR THE WEEK

1. OPEC+ may have announced a 3-month plan to raise supply by a total of more than 2mn b/d from May-July, but they will keep the market on its toes with monthly meetings.
2. The evidence is gathering through show don't tell that OPEC+ is committed to target oil prices in range of \$60/bl-\$65/bl on Brent, but that is a level which also encourages US Shale.
3. The million-barrel question for the markets going into Q2 is whether the Biden administration has the appetite to police sanction-busting Iranian oil exports?
4. Risk-on appetite is evident across all asset classes, from Bitcoin to S&P 500, and oil is well-placed to join all boats rising trend if Covid can be overwhelmed by vaccinations.
5. Asia storage terminals struggle to secure long-term clients as recent market swings between backwardation and contango is keeping traders hesitant to commit.
6. OPEC+ decision to raise supply may keep higher-cost oil producers like Shale on the sidelines for the time-being.
7. China's appetite for cheap Iranian crude oil may drop off if sanctions are lifted as likelihood is that prices will rise in that scenario.
8. The markets will have to digest a very patchy global economic recovery over the coming months with many different vaccine rollout experiences.
9. The next few weeks are critical for the Biden administration to strike a deal with Iran as time is running out with Iranian presidential elections in June, with the Hardliners set to do well and likely to alter JCPOA demands.
10. We are optimistic for now about demand recovery in the US and China, but we are very aware that Covid-19 is not in the rear-view mirror and remains the biggest risk factor in the market.

**Smart thinking. Safe hands.**



### VALUE ENGINEERING, INNOVATIVE & SAFER CONSTRUCTION

- EPC for Bulk Liquid Storage Terminals
- EPC for Spherical and Cryogenic Storage Facilities
- EPC for Offsite & Utilities
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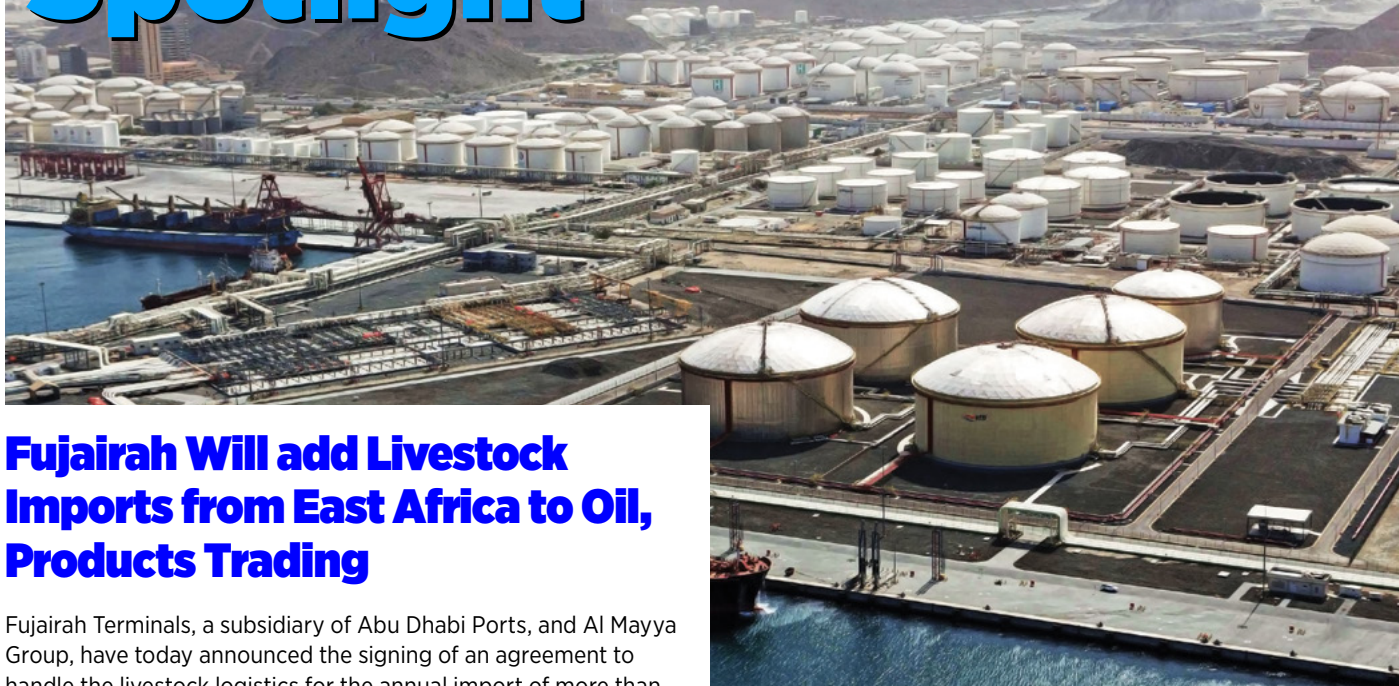
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# Fujairah Spotlight



## Fujairah Will add Livestock Imports from East Africa to Oil, Products Trading

Fujairah Terminals, a subsidiary of Abu Dhabi Ports, and Al Mayya Group, have today announced the signing of an agreement to handle the livestock logistics for the annual import of more than a million sheep, goat and cattle into the UAE. In one of the largest contracts of its kind in the UAE, Fujairah Terminals will grant Al Mayya Group exclusive rights to service livestock at a specially designated quarantine and berth area situated within its terminal facilities at the Port of Fujairah. Fujairah's strategic location on the UAE's eastern seaboard ensures a much shorter sailing time to and from key destinations including East Africa. The port, situated on the Arabian Sea, lies within 300km of all seven emirates. Thanks to the country's highly advanced road network, it will easily connect Al Mayya Group's allocated port-side area to its other inland facilities across the UAE.

Source: *Hellenic Shipping*

## Fujairah Government Announces Establishment of 'World History Museum'

Under the patronage of H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, the Fujairah Government announced the signing of an agreement with the "Unique Collectibles Museum" to establish the "World History Museum" in the emirate. The agreement was signed by Mohammed Saeed Al Dhanhany, Director of the Emiri Court of Fujairah, and Victor M. Prakash, Director of the Unique Collectibles Museum. During the signing, Al Dhanhany said that Fujairah, with the support of Sheikh Hamad, is preparing for the establishment of the World History Museum, which will be the first of its kind in the Middle East and will represent a unique opportunity for the general public in the country and from the rest of the world to view rare artefacts from ancient civilisations. He also stressed the importance of the museum's establishment, noting that its visitors can explore valuable international heritage dating back to various eras.

Source: *Emirates News Agency*

## Fujairah Seeks Dismissal of US Oil Forfeiture Case

The government of Fujairah has filed papers in a US federal court to dismiss a forfeiture complaint lodged by the US government in connection with the seizure of alleged Iranian oil from a tanker in UAE waters. Fujairah International Oil & Gas Corp told the US District Court for the District of Columbia that the US government seized the property 'while subject to coastal state authority in a foreign nation (UAE) aboard a foreign-flag vessel and while subject to a supply contract governed by UAE law.'

Source: *Lloyd's List*

## Hamad Al Sharqi Congratulates Fujairah Municipality's Employees

H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah has emphasised the importance of enhancing the culture of creativity and excellence and supporting the country's stature in the innovation field in various sectors which mirrors the leadership's vision in sustainable development. Sheikh Hamad made the remarks when he received Mohamed Saif Al Afkham, Director-General of Fujairah Municipality and several members of staff on the occasion of the Fujairah Municipality obtaining the ISO Certificate in the fields of applying international standards for business continuity systems, knowledge management, innovation and governance and for the municipality winning the 9th edition of UAE Ideas Conference & Award in the category of innovation in the field of environment and green applications.

Source: *Emirates News Agency*

# ENERGY MARKETS VIEWS YOU CAN USE

**Robin Mills**  
**Chief Executive Officer**  
**Qamar Energy**



## **Any surprises from last week's OPEC decision?**

The phasing out plan was more aggressive than most had expected. Market reaction has been conflicted, initially with prices rising, then falling, then rising again on a generally stronger demand picture. And the latter is what is most important – a few hundred thousand barrels a day of production, plus or minus, is not. OPEC is forecasting 5.6 million bd of demand coming back this year; if that is a million less or a million more, that's a huge difference and more than anything OPEC is likely to do.

## **What forces guided the decision last week?**

It was becoming increasingly inevitable and unsustainable to maintain the status quo because some members were pushing for higher output and OPEC, Saudi Arabia in particular, got tired of giving Russia leeway and nobody else. The phased sequence of easing means everybody gets the same percentage share back over the next three months. The Saudis themselves will also be able to scale back on their one million barrels voluntary cut anytime according to the plan.

## **Expectations for the Iran and Security Council talks this week?**

It's going to be a tough set of negotiations. The US has been surprisingly hesitant to come back to the table with some in the Biden administration lobbying for more concessions from Iran and the Iranians have strongly resisted that so far. We also have Iranian elections coming up soon, the result of which may not be constructive for future negotiations. It will take the rest of this year at least before we get the JCPOA back plus giving Iran something in return. We could see some waivers in the interim, such as allowing the Iranians again to sell oil to South Korea, Japan and India, as they supposedly did under Obama, but that remains to be seen.

**Vitaly Yermakov**  
**Senior Research Fellow**  
**Oxford Institute for Energy Studies**



## **Was Russia satisfied with the decision taken by OPEC plus last week?**

Russia's fiscal breakeven oil price is about \$44/bl this year so any price above that is beneficial and current prices are also sufficient for investments into new oil. Russian oil companies don't really have any other course of action but to work with the official state decisions taken on cooperation with OPEC plus..

## **Any concern that US shale and other high-cost producers will come back?**

U.S. shale will swing back. It happened in 2016, and again in 2018 and this time, there will be some companies that will put volumes over profitability, although to a lesser extent than before. The fact that prices have retreated from \$70 to \$60 is a reminder of how vulnerable the market is. US shale is very sensitive to relatively small incremental price increases. Some can produce sustainably at \$45 WTI while for others, it's higher. For US shale to grow robustly, they would need prices around \$70. We also need to take into account costs of finance and environmental agendas. The whole world is now focusing on the energy transition and shareholders are demanding that companies act responsibly.

## **How stable is the OPEC plus and Russia Saudi relationship?**

Everyone seems to be willing to make small sacrifices for the market to rebalance. Russia would also favor incorporating Iran back into global economic relations and therefore would be supportive for sanctions being lifted. Russia's relationship with Saudi Arabia has had difficult moments but has survived these tests and has good prospects of continuing. Today, the big concern in Russia is not oil but rather geopolitics, with a high probability of the conflict in eastern Ukraine escalating to a full military conflict.



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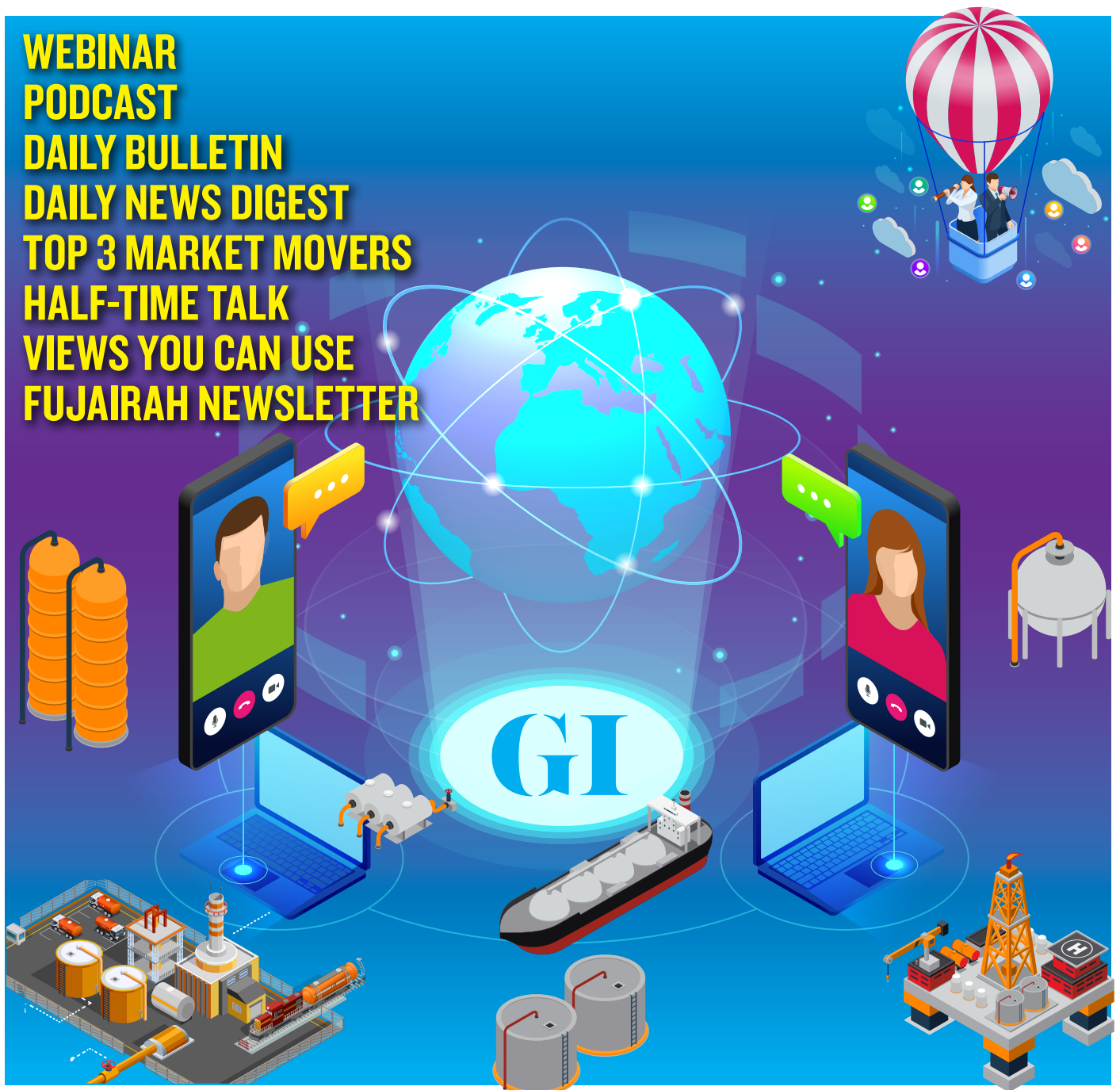
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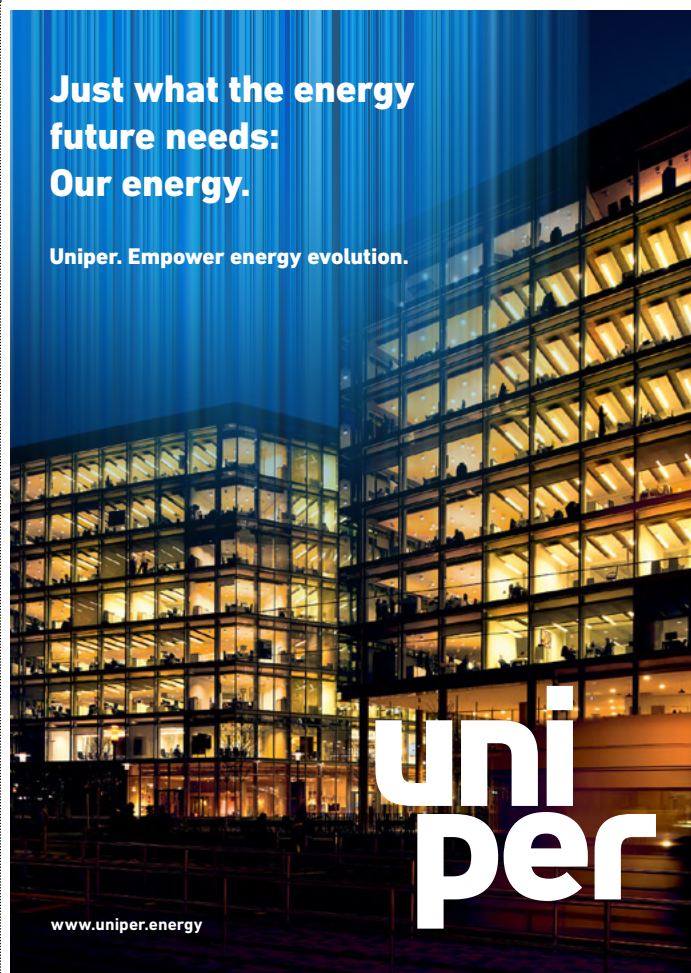
*“Last month, we called for a cautious and restrained approach, and - unfortunately - we have been proved right by subsequent developments. Those who said we were behind the curve and not being responsive to the needs of the market have now recognized that OPEC+’s cautious position was the correct course of action. We should all act in humility and recognize the limitations of our predictive powers in the face of unprecedented conditions.”*

- H.R.H Prince Abdulaziz Bin Salman,  
Saudi Arabia’s Minister of Energy and Chairman  
of the OPEC and non-OPEC Ministerial Meeting



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## RECOMMENDED READING

- 1. OIL FALLS AFTER US GASOLINE INVENTORIES UNEXPECTEDLY SURGE**
- 2. US CRUDE STOCKPILES DROP, FUEL INVENTORIES RISE**
- 3. COMMERCIAL OPERATIONS BEGIN AT UAE’S BARAKAH NUCLEAR POWER PLANT**
- 4. US FEBRUARY CRUDE EXPORTS FALL WITH HARSH WEATHER**
- 5. FED EXPECTS TO KEEP SUPPORTING ECONOMY ‘FOR SOME TIME’**
- 6. US SENATOR MANCHIN - IN THREAT TO BIDEN AGENDA**
- 7. CHINA HAS THE WORLD’S LARGEST NAVY – MATTERS LESS THAN YOU MIGHT THINK**
- 8. US MALL VACANCIES JUMP AT FASTEST PACE ON RECORD**
- 9. MILLIONS ARE TUMBLING OUT OF THE GLOBAL MIDDLE CLASS IN HISTORIC SETBACK**
- 10. CHINA STARTED MORE COAL PLANTS THAN THE ENTIRE WORLD RETIRED IN 2020**

## RECOMMENDED VIDEOS & REPORT

- **US SIGNALS IT STILL DEPENDS ON CHEAP OIL FROM ABROAD**
- **MYANMAR’S AMBASSADOR TO UK SAID HE WAS LOCKED OUT OF THE EMBASSY IN LONDON**
- **BIDEN SAYS INFRASTRUCTURE PLAN IS ESSENTIAL FOR US TO COMPETE WITH CHINA**
- **ERA OF OPEC+ SAUDI FORWARD GUIDANCE IS OVER**

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